



U.S. ENERGY CORP.

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M/037/040

March 19, 2003

Paul Baker
Senior Reclamation Biologist
State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Salt Lake City, UT 84114-5801

Re: Velvet Mine, M/037/040

Dear Mr. Baker:

In response to our telephone conversation yesterday, this letter is to inform you that U.S. Energy Corp. is in the process of trading some equipment with a Contractor in trade for work towards the final reclamation of the Velvet mine. These negotiations have been in progress for several weeks and hopefully are in the final stages. U.S. Energy shall notify you when the agreement has been made.

Please call me if you have any questions or other concerns in regards to this submittal.

Sincerely,
U.S. Energy Corp.

Daniel Arima
Environmental Coordinator

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